

HOW SMALL BUSINESSES ARE SUPPORTING AMERICA'S ENERGY RENAISSANCE

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

MARCH 23, 2015

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HOW SMALL BUSINESSES ARE SUPPORTING AMERICA'S ENERGY RENAISSANCE

MONDAY, MARCH 23, 2015

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Lafayette, LA.

The Committee met, pursuant to notice, at 8:31 a.m., in Lafayette City Hall, 705 W. University Avenue, Hon. David Vitter, Chairman of the Committee, presiding.

Present: Senator Vitter.

Also Present: Representative Boustany.

OPENING STATEMENT OF HON. DAVID VITTER, CHAIRMAN, AND A U.S. SENATOR FROM LOUISIANA

Chairman VITTER. Welcome to everybody, and thanks for being here.

Why don't we all get started in the right frame of mind and the right frame of heart by standing for a prayer, and please remain standing for the Pledge of Allegiance to the flag right after the prayer.

But first we'll be led in prayer by Pastor Steve Stone with First Baptist Church.

Pastor.

Pastor STONE. Let us pray. Father, we begin this Monday morning, the beginning of the new week, with renewed hope and faith and trust. It's not always easy to come by, so we rely on Your strength for that. We are reminded of the words of the psalmist, "From whist cometh our help," and the echoing reply, "Our help comes from the Lord." Be ever mindful of that today.

We would be prayerful today for many things, but today we petition You for freedom. We pray for the release of those who have been unfairly and unjustly imprisoned because of their faith in Almighty God. We pray that justice would flow in these matters.

For the purposes that bring us here today, we pray that You would give us wisdom and insight into the matters that are talked about today.

We are always mindful of our folks in the military, men and women who have left their spouses and children and parents and serve us, and we've been recently reminded that they're not always in danger in a foreign land but in training here in these United States. Watch over them.

Ultimately we pray, oh God, for Your will to be done on Earth even as it is in heaven. Amen.

Chairman VITTER. Amen.

Thank you, and remain standing for the Pledge of Allegiance to the flag. We will be led in the Pledge by our Police Chief here in Lafayette, Jim Craft.

Chief.

[Pledge of Allegiance.]

Thank you, Chief.

Please be seated.

I also want to recognize Dee Stanley, the Chief Administrative Officer of the City of Parish, and Chad Sonnier with the Lafayette Fire Department.

[Applause.]

Welcome again. This is sort of a combination town hall meeting and field hearing of the Senate Committee on Small Business and Entrepreneurship, and our main topic today is how small businesses are supporting America's energy renaissance.

I am really so happy to be joined by our congressman here, Congressman Charles Boustany, for this important town hall and field hearing.

Let me go over exactly how this is going to work, and then I'll throw it over to Charles for some opening comments.

So after our initial opening comments—and I'll have some after Charles about the topic that our witnesses are going to speak on, small businesses' role in the energy industry and growing the energy economy—after those opening statements, we'll go to your comments and questions. And if you haven't already, we're passing out a form.

Where is my staff?

We're passing out a form. If you haven't already, jot down your comment or question, your topic, and hand it over to us, and we'll try to get through as many comments and questions as possible. Hopefully, most of them are on topic. We want to mostly talk about the energy economy, growing energy jobs as a part of our economic growth in general in Louisiana, but we'll certainly take other topics as well.

Then, after about 30 to 40 minutes of that, we'll introduce our key panelists today. We have three great witnesses who know a lot about the energy economy and the tie-in with small business. They will each present testimony of about 5 minutes, and then following their testimony Charles and I will question them and have a discussion with them on the topic. So that's how this morning will proceed.

Charles, do you have any opening thoughts?

**STATEMENT OF REPRESENTATIVE CHARLES W. BOUSTANY,
JR., A U.S. REPRESENTATIVE FROM LOUISIANA**

Representative BOUSTANY. Well, thank you, David. Thanks for your leadership of the Small Business Committee in the Senate, the committee that deals with small business and entrepreneurship, something we know a lot about in Louisiana given that our state has led, especially in the energy sector. I think this is just a very valuable forum for the two of us to hear from all of you directly, but also to hear from some very important witnesses, the

panelists here who know what's going on from a Louisiana perspective.

So I'm just truly honored to be here with you, to share the stage with you, and to try to answer questions.

Chairman VITTER. Right. Thanks, Charles.

Let me make a few opening comments about our topic.

Chairman VITTER. I became chair of the Senate Committee on Small Business and Entrepreneurship in January. So the first thing I wanted to do was really bring the committee and our committee activities to the real world, including Louisiana. So that's why we're having a committee event here in Louisiana. It's certainly not going to be our only one, as well.

Again, today's discussion is focusing on the changes going on particularly in this part of the state and to the west of here as a result of capital investments in the region, particularly in our energy economy, and how we can take up that opportunity to grow jobs through small business.

The first slide up here shows that throughout the abysmal economic recovery nationally—and that's been held back by a lot of Federal policies—our domestic energy industry has actually continued to create jobs and new revenues, the majority of which can actually be attributed to small firms and contractors. So small business is at the heart of this economic renaissance.

This next slide shows that it's estimated that nearly 1 million Americans work directly in the oil and gas industry, with about 10 million jobs associated more broadly with that industry.

Now, in order to better coordinate the efforts that allow small businesses to support our energy industry, I think it's imperative that there is an open line of communication between these regional business leaders and folks at the Federal level.

Slide 3 shows that Louisiana will receive roughly \$80 billion in new and expanding development over the next few years. These are some of the Louisiana projects on tap just in this part of the state and to the west of here. Just in this part of the state and to the west, it totals \$63 billion. Statewide, it totals over \$80 billion.

But the economic growth in this region is not without its own set of challenges. At the current rate, Louisiana can't meet our workforce development needs, our needs to train up skilled workers. So that's a real problem, and the next slide goes to that point.

So right now, unfortunately, our jobs are outpacing training. That's sort of a good problem to have, but it's still a challenge, it's still a problem. So we need to meet those workforce development needs.

Beyond those challenges are regulatory challenges, and that's usually being put on the state by the Federal Government by over-regulation at the Federal level, and this is a direct result of President Obama's leadership and over-regulation through Federal agencies like the EPA.

What businesses need to thrive is a strong but restrained regulatory system that doesn't impede their growth. A 2010 Small Business Administration study found that Federal regulations cost American businesses \$1.75 trillion annually, and that clearly adversely affects small businesses, and the smaller they are, the more that regulatory burden is. So we need to ensure that our regulatory

environment doesn't interfere with this important part of our economy.

So those are some of the things that we're going to be talking about today.

With that, let's get to your comments and questions, as I promised, and we'll have sort of the town hall meeting portion of this morning's portion of our discussion, and then in a little bit I'll introduce our witnesses.

Let's start with your comments and questions. If you haven't already, if you need a form to fill out, just raise your hand. We'll get those to you, and just pass them up to me.

When I come to you, if you could stand up so we can have a good discussion.

Leland Jans—where is Leland?—asking about Common Core. Why don't you elaborate, sir?

Mr. JANS. Well, I really don't know much about Common Core, and I don't understand what all the fuss is. The governor was going to start supporting it. Now he doesn't support it. What all are the questions about Common Core?

Chairman VITTER. Yes. Well, that's a big topic. I'm running for governor now, so I'll take that since it's a state-based issue.

You know, I think there are several different concerns with Common Core. One of my top concerns is that it really cedes state control and authority to national elites and, to some extent, to the Federal Government, and I'm completely opposed to that.

I strongly support rigor, standards, and accountability. We absolutely need all of that in public education. But I think we need that in a Louisiana-based system.

So in running for governor, what I've said is that I would lead us out of Common Core but in a strong, rigorous, demanding, Louisiana-based system that doesn't cede that control and authority to either national elites or the Federal Government.

Mr. JANS. I don't know about the control part, but doesn't that put everybody on the same educational basis?

Chairman VITTER. You're talking about what? Doesn't what put us—

Mr. JANS. Doesn't Common Core put us on the same track here?

Chairman VITTER. Well, that's certainly one of the arguments in favor of it, okay? This way you can compare your students with those around the country. That is useful to do, and we can still do that with choosing the right testing.

First of all, Common Core is not universal to 50 states, and the Common Core standardized tests are not universal to 50 states. In fact, there will be far more students nationally who aren't under those particular standardized tests than who are. So I still think we can get an objective benchmark about how we're doing compared to other students around the country by choosing a standardized test, but it doesn't have to be within the Common Core framework. But undoubtedly, the testing we'll choose is going to be used in at least a handful of other states.

Mr. JANS. I believe that the people that opt out [inaudible] of Common Core, right?

Chairman VITTER. Correct.

Mr. JANS. And if people are able to opt out, I don't understand why [inaudible].

Chairman VITTER. Right. Well, I mean, that's a controversy going on now. I mean, they basically opt out by just not going to school that day, and the big question is whether that's going to be counted as a zero in the grading school systems or not.

Thank you.

Mike Thibodeaux? Where is Mike?

Mr. THIBODEAUX. I'm Mike Thibodeaux.

Chairman VITTER. Yes, sir. You're talking about draft reports and studies paid for with public monies and right to know. Why don't you elaborate? I'm not sure exactly what you're asking about.

Mr. THIBODEAUX. Public studies are done that the public pays for, the information [inaudible].

Chairman VITTER. Absolutely.

Mr. THIBODEAUX. We have a right to know.

Chairman VITTER. Absolutely.

Mr. THIBODEAUX. We have a right to see what did this person do. My particular complaint is that the study in particular [inaudible] that say that the Federal tax credit that you get for all energy producers [inaudible], but it's not. It's a reduction. So if you're going to skew that 30 percent Federal tax credit so it's an expense, then your whole study is wrong.

So what I want to know is can you have it? When you ask for it, they say it's proprietary. How can you have proprietary information if [inaudible]?

Chairman VITTER. Yes, I thought that study was public, but I'll be happy to look into that. Certainly, if public funds are used, the result of the use of those public funds should be public.

Charles, do you have anything?

Representative BOUSTANY. I agree with that, and I also agree that if public funds are used, all conflicts of interest need to be put on the table in a very transparent way so people know affiliations of those who are doing these studies.

So, yes, absolutely. My understanding is that most of the time when there are Federal funds going for something like this, there are requirements for it to be very, very open and transparent. I don't know the particulars in this case with that particular institute, but I'd be happy to look into it as well.

Chairman VITTER. Mike, before you leave, if you could give me and my staff your contact information and the name of the report you're focused on, we'll specifically look into that and try to get a copy. But certainly, I agree with your premise.

Mr. THIBODEAUX. I have a copy, and I read it.

Chairman VITTER. Okay.

Mr. THIBODEAUX. And when I read it, that's where I saw that the 30 percent Federal tax credit and the reduction is used as a [inaudible]. It's not a [inaudible]. It's a reduction of cost.

Chairman VITTER. Right. Well—

Mr. THIBODEAUX. So the whole report basis is skewed.

Chairman VITTER. Yes. I didn't read the report. I'm not sure exactly what you're referring to. What they're probably calling it is an expenditure of tax dollars—in other words, foregoing revenue that the government would otherwise get. So they're probably put-

ting it in that category of foregoing revenue. But I'll be happy to look at that and maybe be better able to respond.

Mr. THIBODEAUX. Thank you.

Chairman VITTER. Okay.

Tony Depa? Where is Tony?

Mr. DEPA. Yes, sir.

Chairman VITTER. Asking about our thoughts on the Affordable Care Act?

Mr. DEPA. Yes, sir.

Chairman VITTER. Okay.

Mr. DEPA. Nice to see you, Congressman Boustany.

Tony Depa from Lafayette. Again, just full disclosure, the Congressman [inaudible.]

I worked for the President's reelection campaign in 2012, so I went to battle in four battleground states for about six or seven months for this Administration's platform, most importantly or one of my big ones is the Affordable Care Act.

Obviously, we know that there's something that we hear in Louisiana called the Gender Gap. So I guess the question to both of you, if you wouldn't mind commenting, is just what do you think? I mean, it's been the law for five years. It's very well documented how Republicans in Congress have tried to shut it down. So you can comment on that or where you see it going in the future.

Chairman VITTER. Yes. Well, full disclosure. For me, I worked against the President's re-election very hard in 2012.

[Applause.]

And I strongly opposed ObamaCare, and I still strongly oppose it because I think it's creating more problems than it's solving. I think it's made cost increases, which were a big, big problem with the American health care system. I think it's making those worse, actually, versus better.

Mr. DEPA. There are probably people in this room that don't know the difference between ObamaCare and the Affordable Care Act.

Chairman VITTER. Well, there is no difference. I'm referring to the same thing.

Mr. DEPA. A lot of people don't know that.

Chairman VITTER. Yes. Well, I mean, the Affordable Care Act is the——

Mr. DEPA. I'm here to educate as well.

Chairman VITTER. The Affordable Care Act is the Washington term. I don't use it because I think it's an Alice in Wonderland term, and it's not affordable, it's pushing costs up. So I prefer to call it ObamaCare.

I think we need an alternative to that, and I've supported specific alternatives, targeted reforms that would go after not re-making 20 percent of our economy from start to finish but go after specific reforms to make health care more affordable, and I'd be happy to talk about——

Mr. DEPA. Does that include repealing it or not?

Chairman VITTER. Yes. I voted several times to repeal it, and I'm still working to repeal it.

Mr. DEPA. It works.

Chairman VITTER. Charles.

Representative BOUSTANY. I spent 30 years with health care, and so when this debate was raging back in 2009 and 2010, I was in the middle of it. I warned our colleagues on the other side of the aisle, the Democratic side of the aisle, that what they were proposing was going to run up costs, restrict options within the insurance arena by forcing consolidation, and it was going to wreak havoc on the provider side, and we're seeing a lot of that now.

The trend lines are not good. We're driving individual physicians out of private practice because their cost structure is unsustainable. We're forcing hospital consolidation and potential closures in rural hospitals. We have a situation now where you've seen consolidation and fewer choices among insurance companies, a more monopolistic type of behavior, and this is problematic.

Costs are going up. I've traveled around our district and I've run into small business owners who saw a 40 percent hike, 40 percent hike in their premiums over and above last year. This is problematic.

We can do better, and I fought alongside David against this because I saw the trends that were going to come out of it.

So we'll see what happens going forward. I think that the Supreme Court case may, in fact—it's called *King v. Burwell*. Remember that. You'll hear a lot about it as it comes up. That may be the undoing of some of these faulty foundations that we've seen with ObamaCare.

Chairman VITTER. Just two more comments. I want to underscore what Charles said. There is a major Supreme Court case that should be decided in June. That will have a lot to do with how we move forward as a country.

Secondly, I'm sure Charles and I agree with every Republican that we work with, that we do need reforms. The old health care system wasn't perfect. It had a lot of problems and issues. We believe in targeted reforms, things that go after the real issues, like there is certainly an issue of folks with preexisting conditions. We need to fix that. There is certainly a cost issue. So how do we make it more affordable?

So we're in favor of several targeted reforms that would go after those very specific issues rather than sort of a very, very broad, 2,800-page bill.

Mr. DEPA. I appreciate that.

One more thing, and then I'll stop talking.

You were talking about costs, how much it costs. Not once have either of you talked about, well, do single mothers deserve health care. Do the poor people in Lafayette and in the State, do they deserve health care. So you guys are sitting there telling me how much everything is going to cost, but you all don't seem to give two rats about the poor people in our State. That's what I'm hearing. I know that the people who are here aren't hearing that, but that's what I'm hearing, that it costs this, it costs this, the President sucks, and you guys—again, I know I disagree fundamentally with pretty much everyone in this room, but still I'm trying. The Congressman told me I need to try to reach across the aisle. That's what I'm trying to do. I'm here this morning.

Representative BOUSTANY. If you look back at many of the speeches and comments I've made publicly, I've always talked

about how important it is to preserve the doctor-patient relationship, make a doctor-patient relationship for every single American that's affordable and meets a high quality of care, including single mothers and those who cannot afford insurance today.

The Republican side of the aisle coming out of the Ways and Means Committee, where I serve, we were only given 15 minutes total to debate an alternative back in 2009–2010, that timeframe, when we went to the House floor. I was given 45 seconds to describe our plan. That's why you didn't hear about it, but I'll tell you what it did.

It actually, according to the Congressional Budget Office, lowered premium costs so that everybody could afford it, and it created pathways for single mothers and those who currently cannot afford insurance or have preexisting conditions. We set all of that up, and the Congressional Budget Office said that, in contrast to the Affordable Care Act or ObamaCare, ours would actually bring down costs.

Now, you didn't hear about it because we had 15 minutes of debate and, of course, we had to fight the bully pulpit. We have ideas. We have solutions to address exactly your concerns.

Chairman VITTER. And just a final thought. The reason I do focus a lot on cost is I think that's the biggest reason for lack of access. And if costs continue to skyrocket, guess what? More and more Americans will not have adequate access.

So I think it's indicative, quite frankly, of where you're coming from, where the President is coming from, to throw cost out the window like it's some irrelevant factor. That's at the heart of our access problem, and if we don't make health care more affordable, it's not going to be more available. If the cost curve keeps going up like that, it means there is going to be a big access problem for those with that problem now and for an increasing number of folks who previously could afford something and now can't. So it's directly related to access is what I would say.

Mr. DEPA. It's kind of relying on saying you believe that we should take care of everyone in our country or you believe that I take care of my family and friends and everyone else is kind of on their own. I mean, I feel like that's—

Chairman VITTER. I don't know anybody who feels the latter way, but I do tell you how I feel with regard to health care reform. I think the first rule of health care reform is if you think health care is expensive now, just wait until it's free, and that's sort of the experiment we're operating under, and costs and expense are going through the roof as a result, and access is not significantly improving.

Let's go to Dorothy Knight. Where is Dorothy? Asking about developing a world-class workforce through job training and the community college system. Why don't you elaborate, Dorothy?

Ms. KNIGHT. Sure. I was just reading your little flyer here, and you've pointed out that you want to—"It's vital we develop a world-class workforce to fill those good-paying jobs in Louisiana [inaudible]."

I happen to be involved with the local community college [inaudible], and currently we're moving away from the blue-collar type of job training, [inaudible] welding, for other types of hands-on [in-

audible], and they're moving into what I would consider—nursing is good, but secretarial or business or that sort of thing. It's not going to fill the needs that our State is going to have [inaudible], and I just wondered what you were doing about it. That's one issue.

The other issue is that we want Louisiana citizens [inaudible]. How are you going to address immigration issues? I don't expect you to address all the issues [inaudible], but certainly Louisiana expects you to do something to protect its citizens and giving them the opportunity.

Chairman VITTER. Absolutely. Well, in terms of the tech system, I think that has to be absolutely at the center of preparing our young people for good-paying jobs that are coming our way. So the first thing we need to do is make sure they are offering courses and training based on the jobs that are here and that need to be filled. There shouldn't be a gap. But those course decisions shouldn't be made in some ivory tower. They should be made by constantly consulting industry and business and seeing what's here and what folks need people trained up in.

In this part of the State and to the west of here, that's in a lot of skills related to petrochemical and oil and gas. So that needs to be front and center in terms of our vo-tech system, particularly in this part of the State.

A second big component I would focus on is reintroducing some element of that sort of skills training in K-12, particularly high school, to make sure high school students understand the opportunities, the great opportunities available to them if they have the right skill sets that don't necessarily require a four-year degree.

So at least they need to be made aware of that track, because in America college should be available to everybody regardless of background or income or race, but college isn't for everybody. A lot of folks may want to go into that sort of skills training track, particularly when if they have the right skill sets they can come out as a 21-year-old and be earning \$55,000 a year; in four years, develop in their job, be earning \$95,000 a year. That's a good life and a good living in Louisiana.

Representative BOUSTANY. Wanted to show you on that slide one of the things Louisiana is facing as a State, the need and demand for the [inaudible] skill sets. I'm so glad to hear what you just said, because I think David [inaudible]. He said we have to start job skill training [inaudible]. Pick a skill when you're in middle school, start learning the basics, carry it on into high school, and when you graduate, if you don't go to college, you've got a leg up. You're ready to go. If you do go to college, you've got a way to help pay for it because you've [inaudible].

If you don't need all that help and you're fortunate enough to have parents who can pay for all that, then you don't end up like me where you don't have a skill around the house. My wife constantly complains that I can't fix anything around the house. I wish I had a skill like that, do a little [inaudible].

So I think starting early—and this is something, this is [inaudible], these students [inaudible] high school and be ready to go to community college, refine those skills and make a lot of money [inaudible].

Ms. KNIGHT. Can I just bring two things to your attention?

Chairman VITTER. Sure.

Ms. KNIGHT. One is, one of the reasons why the colleges and even high schools would shift away from this technical training that needs to happen into kind of a soft educational area is because even though 30 or 40 students are sitting in one classroom with desks and chairs, that's the full extent of your investment into the infrastructure necessary to educate them on something like this.

But in order to do so [inaudible] testing or for any of the other hard skills, a higher level of investment [inaudible] towards the community college [inaudible] in leadership positions will take that into consideration in higher education to encourage that investment into infrastructure in the schools, including I love the idea of high schools and junior high schools teaching those skills because I've got lifetime work even though [inaudible] my business degree and [inaudible] I still [inaudible] a lot of different things.

Our world today allows people to learn history or art or music or any of those other things on their own time [inaudible]. But those skills have to be learned early [inaudible].

Chairman VITTER. Well, you make a great point, and that is a factor. But for that to dominate and to decide what community colleges focus on is the cart before the horse. Again, we really need to tie everything into what the job market is looking for and how we're going to best prepare these young people for these jobs.

Okay, Curtis Hollinger. Where is Curtis?

Mr. HOLLINGER. Yes, sir. What is your vision for tort reform in Louisiana, particularly related to the American energy renaissance?

Chairman VITTER. Well, Curtis, I am very focused on that. I think in general, the business climate in Louisiana, including in the energy sector, is the best it's been in my lifetime. I'm 53. I think it's the best it's been in my lifetime. But the one big exception to that rule, in my opinion, is the litigation climate, which by every measure is really negative and keeps good jobs and good businesses out of Louisiana, including in the energy sector. I'll give you one example.

I had a meeting in Houston five months ago with Jeff Hildebrand. He's head of a big energy company called Hilcorp, which is actually the biggest payer of oil- and gas-related taxes to the State of Louisiana, because it's the biggest producer on State land and State water. And he said, David, we have operations all over, all over the country, many parts of the world, and we take our responsibilities very seriously for safety, for a clean environment, but we still have 75 lawsuits filed against us, and 70 are in Louisiana.

It's a horrible litigation environment. It's a horrible threat to us, and we're not expanding anything in Louisiana specifically because of that. And so that is a big issue that holds us back, I think, including in the energy sector.

Mr. HOLLINGER. Can you describe [inaudible]?

Chairman VITTER. Yes. Well, I'll give you one concrete example in the energy sector, since we're talking about that today, called legacy lawsuits. That is when land owners find any contamination on their land from prior oil and gas development. Nobody is argu-

ing that whoever is responsible for that should fully clean it up. But what happens instead, because of the nature of our State laws and our court system, is that everybody who ever had anything to do with development on that property for 60 years or more, everybody is sued, number one, no matter what their involvement or non-involvement was.

Number two, there is no cap on damages. So damages can be as high as the plaintiff lawyer expert says they should be. There's no cap related to anything, including the fair market value of the land.

And then number three, there's no rule that those damages have to be used to clean up the land. So that's crazy. It leads to a cottage industry of lawsuits rather than a system that actually gets any legitimate problems cleaned up. So that would be an example of what I'm talking about.

Representative BOUSTANY. David just described the standard appropriately. We all know Louisianans care about our environment, and I think good energy policy, good environmental policy, good economic policy go hand in hand [inaudible].

But I had a similar experience. I was in Houston just a few weeks ago. A gentleman by the name of Gary Luquette, who is from the [inaudible] area, just took over as CEO of Frank's International [inaudible]. Well, their headquarters now for global work is in Houston. Gary told me point blank—we were talking about all the things going on in the energy sector, going on around the world. He said, let me tell you what the biggest threat to Louisiana is. [Inaudible] investments in there, you got mobile trends, price down [inaudible], layoffs. He said the biggest threat is these legacy lawsuits. You're going to drive the industry that helped create Louisiana out of Louisiana.

David described beautifully all the problems with the system as it's set up. That's why we've got to change the [inaudible].

Chairman VITTER. Let's take one more question. Then we're going to go to our expert witnesses.

Anita Johnson? Where is Anita? Yes, ma'am.

Ms. JOHNSON. Is there any legislation coming up regarding adverse regulations like the EPA?

Chairman VITTER. Why don't you elaborate, Anita?

Ms. JOHNSON. Well, I just hear and read so much about how the Congress [inaudible] and every regulation that they make up increases the cost of [inaudible] and they wind up having to lay off people [inaudible]. And a lot of the regulations they make are not necessary.

Chairman VITTER. Right, right. Well, first of all, let me agree with your statement. I agree with that. I happen to be on the Senate committee that deals with everything related to EPA, so I'm constantly working to push back on those sorts of regulations.

In fact, there are three brand-new sets of regulations that they're working on that they're pushing forward that I think fall into the category you're describing where costs and burden goes through the roof. So costs to small business goes through the roof, and any positive impact in terms of health and safety is minimal, at best. So that's the new ozone standard, that's the greenhouse gas regula-

tion, and that's a set of regulations that would dramatically expand the jurisdiction of the Clean Water Act.

So in each of these cases, Charles and I both are working on ways to push back and try to block that sort of over-regulation.

Charles.

Representative BOUSTANY. Yes, I agree with David there. We have worked on those specific issues. This is one of the [inaudible] we have right now at the Federal level where you have Federal agencies that are really not very accountable to each and every one of us. They make rules, and Congress ought to be doing that, put sunshine there on what's going on, full transparency and disclosure.

We've been blind sided by those rules out there, and they make no sense, very little consultation about what the impact will be, and the House keeps trying to pass legislation—we have passed legislation in the House a few times that would basically say that any new rule put out there that would have a significant impact on the economy has to go back to the House and Senate for a vote and approved before it can be enacted, and we're still working on that project. I'm hopeful now with a more favorable Senate that we'll be able to move this through and put it on the President's desk. I'm not optimistic he would sign something like that, but this is the fight we're having with the Executive Branch.

It's not just this Administration. This problem goes all the way back to Franklin Delano Roosevelt when he did this kind of thing. But we've got to get back to a balance, a constitutional balance, [inaudible] laws [inaudible] in the way Congress intended. That's the way our Constitution is supposed to work.

Chairman VITTER. And I certainly agree with that legislation. I'm a leading co-author of it in the Senate. That would help right the balance. Instead of Congress having to affirmatively block all of these huge costly regulations, if they're above a certain amount in terms of economic impact, Congress should have to affirmatively pass off on them. I think that would immediately right the ship if we can get that into law.

Okay, thank you all very much. We're now going to move on to the next part of the morning, which is hearing from our expert witnesses on our main topic today, how small businesses are supporting America's energy renaissance.

I'll introduce each of them in turn, and then they'll each present testimony for about 5 minutes, following which we'll have a discussion with them on the topic.

First we have Dr. Natalie Harder, Ph.D. Dr. Harder is Chancellor of South Louisiana Community College, and she took over those responsibilities in 2011. Previously, she also served as Interim Director of the Acadiana Technical College. So she has a long history and set of experiences in the community and technical college system.

Dr. Harder, welcome, and please kick us off.

**STATEMENT OF NATALIE J. HARDER, PH.D., CHANCELLOR,
SOUTH LOUISIANA COMMUNITY COLLEGE**

Dr. HARDER. Great. Thank you, and I so appreciate the opportunity to testify this morning.

Small businesses and their entrepreneurs are needed in our globally competitive environment now more than ever. Small businesses are the companies which are able to be nimble in an ever-changing environment, but which also work hard to keep their workers employed through turbulent times. The understanding of their employees as more than just inputs is what makes energy's small businesses the anchors of regional economies like Acadiana.

Small businesses often provide niche services that large industries cannot manage well, particularly small companies located in areas like Acadiana where specialization in the energy industry is paramount. As our region is "all energy all day," advances in technology, resources and training from our small companies make them and their clients better situated for competing on a global stage.

The importance of these small companies to the local community cannot be overstated and is often overlooked. Just last week I was with the Louisiana Gulf Coast Oil Exposition to announce its endowment of a faculty position for our oil and gas programs. In thanking LAGCOE's treasurer, Greg Stutes, for the support of his company, Completion Specialists, Mr. Stutes talked about how his company gives back 10 percent of its profits to local charities each year. Ten percent, every year, year after year. So not only is that company employing local individuals, they are supporting organizations important to our regional infrastructure.

Acadiana thrives on small businesses contributing to the local economy and energy renaissance as they bring growth and innovation to the region in which the businesses are established. Many of these companies rely on graduates from community colleges like South Louisiana Community College to be competitive and to grow. One example of this growth and innovation is Map Oil Tools in New Iberia. Map Oil Tools is a small business of entrepreneurs which actively supports the energy sector in Acadiana.

Map Oil Tools is helping to stimulate economic growth with new products and solutions, and in providing employment opportunities. South Louisiana Community College is working with Map Oil Tools to provide down hole technicians with our new down hole technician program. This partnership will support and grow a company based right here in Acadiana but which serves an international audience with local employees.

South Louisiana Community College works with other small businesses to provide an educated workforce so that these companies can continue to play an important role in the local economy. These companies include, but aren't limited to, Aerion, which provides completion services and equipment rentals for the oil and gas industry; Weatherford, that specializes in innovative evaluation techniques; and also Knight Oil Tools, which has been a leading innovator for the energy industry from its headquarters in Acadiana. All of these companies employ graduates from Louisiana colleges, including South Louisiana Community College.

For all Acadiana oil and gas companies, a strong local workforce is the key to their success, and in turn, those employees fuel our regional economy. Critical to developing this workforce is the return of year-round Pell Grants, restoration of full ability to benefit Pell and allowing the use of Pell for short-term and non-credit pro-

grams. With funding Pell in these ways, we allow more graduates and community college programs like welding, machine tool technology, oil and gas production, down hole tool technology, process technology, diesel technology, and heavy equipment operations.

Remember that Pell primarily funds low-income and often first-generation college students. With only 600,000 of the 2.3 million adults eligible to work in Louisiana holding a college degree or credential—let me say that again, 2.3 million adults eligible to work in this State, and less than 30 percent of them have any college degree or credential—Pell is important.

Louisiana is in greater need than other states for Pell funding to move 70 percent of its working population to maximize their own capabilities as they help meet our workforce needs in oil and gas. By funding Pell Grants appropriately, the companies I mentioned are just a few of the many small energy-based companies which can continue to competitively employ thousands of individuals trained in our region, but which can also grow with a well-trained workforce.

We need to continue to support these companies to maintain a strong economic fabric in the Acadiana region. Thank you.

[The prepared statement of Dr. Harder follows:]

**SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP FIELD
HEARING**

"How Small Businesses are Supporting America's Energy Renaissance"

March 23, 2014 – Lafayette, LA

Statement by Dr. Natalie Harder, Chancellor, South Louisiana Community College

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Acadiana thrives on small businesses contributing to the local economy and energy renaissance as they bring growth and innovation to the region in which the businesses are established. One example of this growth and innovation is Map Oil Tools in New Iberia. Map Oil Tools is a small business of entrepreneurs which actively supports the oil and gas sector with quality service production and completion products for downhole drilling in the Gulf of Mexico. Map Oil Tools is helping to stimulate economic growth with new products and solutions, and in providing employment opportunities. SLCC is working with Map Oil Tools to provide downhole technicians to support and grow a company based right here in Acadiana but which serves an international audience with local employees.

Another small business that plays an important role in the local economy includes Aerion which provides completion services and equipment rentals for the oil and gas industry. Also, Weatherford, it specializes in innovative evaluation techniques, and products and services that ensure well integrity and drilling reliability. Knight Oil Tools has evolved into a company that provides complete rental, fishing, well services, manufacturing packages, saw services, drilling jars, inspection, hardbanding, and safety training to the oil and gas industry worldwide. Knight

Oil Tools has been a leading innovator for the energy industry from its headquarters in Acadiana which employs graduates from LA colleges including South Louisiana Community College. For all of these companies, a strong local workforce is the key to their success and in turn those employees fuel our regional economy.

These are just a few of the dozens of small energy based companies which employ thousands of individuals trained in our region and who still live in Acadiana. Many of these individuals are still employed because of the flexibility and creativity of the entrepreneur minded employers who created these companies. We need to continue to support these companies to maintain a strong economic fabric in the Acadiana region.

Chairman VITTER. Thank you very much, Dr. Harder.

Next we'll hear from Joshua A. Pellerin, President and Chief Executive Officer of Pellerin Energy Group LLC. That group is made up of Pellerin Water Solutions, Energy Rentals and Chemicals, so obviously all related to the energy industry here in South Louisiana, and those companies are located in Broussard, Louisiana.

Joshua, thank you for being with us.

**STATEMENT OF JOSHUA A. PELLERIN, PRESIDENT & CEO,
PELLERIN ENERGY GROUP LLC**

Mr. PELLERIN. Chairman Vitter, thank you for the introduction, and thank you for having me here today to testify and participate in this very important hearing discussing ways to help in the coordination of Federal efforts that would allow small businesses to better support the U.S. energy industry.

My name is Joshua Pellerin. I am the President and CEO of Pellerin Energy Group based in Lafayette, Louisiana. Pellerin Energy Group through its various subsidiaries provides integrated services and optimal solutions to the oil and gas industry.

We must not forget the important role oil and gas producers have in supporting the small business supply chain and impacting our energy security. Large and small companies work together to meet America's energy demand. According to the recent Census data, there are over 46,000 small businesses supporting the production of oil and natural gas in the United States that directly employ over 300,000 workers. Every day, they provide a vital aspect to the generation of America's energy.

Energy-related jobs pay the kind of wages and salaries, in my view, and I know it's shared by many here, that allow families to invest in homes, in their education, and in their futures. If Congress can take the steps to increase domestic energy production, we not only increase America's energy independence, but we also create the kinds of jobs that will grow the middle class and have a major impact on reducing income inequality in our country, which is a goal I believe we all share.

The major oil and gas companies find investments in the United States to be attractive for several reasons. The U.S. is a stable country. It is a country with fair and well-established laws and tax regulations that make drilling, development, and production for oil and gas in the U.S. economically attractive. The U.S. has been blessed that oil and gas has been found here in abundance and collects revenues averaging \$85 million a day in taxes, rents, royalties, and bonuses.

While our tax laws are and have been used to incentivize direct investments of capital throughout the history of our country, I would argue that they are not giveaways, and changing existing tax laws and regulations for the oil and gas industry at this time would have a very detrimental effect. The economic ripple would adversely impact the job growth revenues of many small businesses in our domestic supply chain and those that depend on a secure energy supply.

In short, changes to the tax code in cost recovery would unintentionally hit the brakes on America's energy and manufacturing ren-

naissance and have a devastating effect on jobs, the economy, and revenue to the government.

Our economic engine is fueled by entrepreneurial drive, individual ambition, creativity, and broad economic participation. Principally this means promoting accessibility in every sense of the word in every field of endeavor, geographically, affinity, and focus.

There is a strong global demand for small U.S. companies to export their products outside the U.S. We must enable export growth by reducing barriers to small business exports, simplifying trade, and facilitating small business engagement with global markets. Exporting will support economic growth and job creation by expanding our access to the fastest growing and most dynamic regions on the planet. Small businesses that export to foreign markets grow faster, create more jobs, and pay higher wages.

There are 28 million U.S. small businesses, and approximately 300,000 U.S. small businesses export. Of the businesses that export, only about 40 percent export to more than one country. Ninety-eight percent of U.S. businesses that export are small businesses, and small businesses have accounted for nearly two-thirds of net new private-sector jobs in recent decades.

We must provide our minorities, women, and small business owners with the entrepreneurial support and opportunities they rightfully deserve. All Americans deserve to be given an equal opportunity to pursue the American Dream.

According to the latest data from the U.S. Census Bureau, the number of people in the United States who are classified as ethnic and racial minorities has exceeded 100 million. Today, one in every three U.S. residents is classified as a minority. Additionally, there are now over 4 million minority-owned businesses across the country, accounting for over \$591 billion in annual revenues.

For the past two decades, women-owned businesses have been the fastest growing segment in the U.S. economy, growing at twice the rate of all other businesses, with 10.1 million women-owned businesses employing 13 million Americans and generating \$1.9 trillion in annual revenues in 2008 alone. Women entrepreneurs drive our nation's economy by starting 1,600 new businesses in America every single day. We need to make sure that our daughters have the same chance to pursue their dreams as our sons and urge businesses and the government to do more to hire women and achieve gender equality.

We must encourage small businesses to explore their technological potential and provide the incentive to profit from its commercialization. By including qualified small businesses in the nation's research and development arena, high-tech innovation is stimulated and the United States gains entrepreneurial spirit.

The men and women who serve our nation in the military deserve more than just our respect; they deserve our assistance. With more than 3.3 million veteran-owned small businesses in America, veterans play a critical role in strengthening and expanding our economy. It is imperative that the Committee continues to find innovative ways to further help our nation's heroes.

Once again, thank you for this opportunity to testify, and God bless the United States of America.

[The prepared statement of Mr. Pellerin follows:]



Joshua A. Pellerin
 President and Chief Executive Officer
 Pellerin Energy Group, LLC
 Lafayette, La

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Once again, thank you for this opportunity to testify.

Joshua A. Pellerin

Chairman VITTER. Thank you very much, Josh.

And last but certainly not least is Bill Fenstermaker. Bill is Chairman and CEO of C.H. Fenstermaker and Associates, a leading firm that provides surveying and other services to a host of Louisiana businesses, including in the energy sector. Bill is a member of the Greater Lafayette Chamber of Commerce. He is Chairman of the IberiaBank Corporation and Vice President of ULL's Board of Trustees for Membership.

Bill, thanks for joining us.

**STATEMENT OF BILL FENSTERMAKER, CHAIRMAN & CEO,
FENSTERMAKER AND ASSOCIATES**

Mr. FENSTERMAKER. Thank you, Senator Vitter. My comments today would be related to energy and the effects of low energy prices on South Louisiana.

Louisiana oil and gas and Lafayette are synonymous. The people who live here are hard-working and are called upon to support oil and gas activities not only in this region but throughout the world. This is why Lafayette is the center of the service industry that supports the central Gulf of Mexico. In Lafayette, in our MSA, 26 percent of all earnings and approximately 11 percent of all employment comes through the energy business. Lafayette alone has over 17,000 people who work in the energy sector.

Due to low oil and natural gas prices, times are pretty tough now. Most of our service industries have recently announced layoffs. Energy producers in Lafayette and Houston have announced that they are cutting operating budgets, sometimes as much as half and even more. Most have learned from the 1980's and are positioning themselves to withstand the storm caused by low commodity prices. Obviously, banks are much more circumspect when it comes to lending to anyone that has oil and gas exposure.

From a banking perspective, serving as Chairman of IberiaBank Corporation—we bank a number of energy companies—a recent earning conference call was dominated by questions about energy exposures, which triggered a follow-up presentation in New York City where over 100 analysts attended and listened to our energy exposures today. Questions about these exposures are not only relegated to the analysts but also to banking regulators who stress-test all of our risk, with a big focus on energy.

One bright spot has been the large number of LNG and natural gas to liquids projects being located in South Louisiana. But slumping oil prices have clouded their future, not only here but globally. These cost-intensive projects are now being threatened by the volatile market, making the prospect of U.S. energy independence in doubt.

Certainly not helping are long application turnaround times by the Department of Energy and FERC, which negatively affect the economy of South Louisiana and the U.S. economy. These delays make it extremely difficult to meet current global demands for LNG and lets other nations to regain advantages in supplying the energy needs that many countries demand.

I offer three things that could possibly help America. One is to end the 40-year-old executive order that prevents exporting oil overseas. This would significantly reduce the massive layoffs which

are coming and continue our march in the United States for energy independence.

Second, we do need to speed up the permits for all oil and gas activities, but specifically export of LNG.

And third, we need to allow the export of LNG to all countries, not just some, and that would help our economy dramatically.

Hopefully we don't squander these opportunities, and I thank you for allowing me to say those things today.

[The prepared statement of Mr. Fenstermaker follows:]

My name is Bill Fenstermaker and I am Chairman and CEO of C. H. Fenstermaker & Associates, LLC a Survey/Environmental/Engineering company headquartered in Lafayette LA but servicing oil and gas activities in Louisiana, Texas, New Mexico, Mississippi, Ohio and Pennsylvania. I am also Chairman of IberiaBank Corporation that is a \$17 Billion bank holding company headquartered in Lafayette Louisiana.

My comments today are related to the effects of energy upon the South Louisiana region.

Lafayette and Oil and Gas are synonymous. The people who live here are hardworking and are called upon to support oil and gas activities throughout the world. This is why the service engine of Central Gulf of Mexico energy operations are heavily concentrated in this area. In Lafayette's MSA 26.5% of earnings and approximately 11% of this areas employment comes from the energy business. Lafayette alone has over 17,000 people who work in the energy sector.

Due to low oil and natural gas prices, times are pretty tough now. Most of our service industries have recently announced layoffs. Energy producers in Lafayette and Houston have announced that they are cutting operating budgets in half or more. Most have learned from the 80's and are positioning themselves to withstand "the storm" caused by low commodity prices. Obviously banks are much more circumspect when it comes to lending to anyone that has oil and gas industry exposures.

From a banking perspective, a recent earning conference call was dominated by questions about energy exposures which triggered a follow-up presentation in NYC where over 100 analyst attended and listened to IberiaBank's exposures to low energy prices. Questions about exposures are not only relegated to analysts but also to banking regulators who "stress test" all of our risks with a big focus on energy.

One bright spot has been the large number of LNG or Gas to Liquids projects being located in South Louisiana. But slumping oil prices have clouded their future (not only here but globally). These cost intensive projects are now being threatened by the volatile market making the prospect of US "energy independence" in doubt.

Certainly not helping are Long application turnaround times by the Department of Energy and the Federal Energy Regulatory Commission which negatively affect the economy of South Louisiana and the US Economy. These delays make it extremely difficult to meet current global demands for LNG and lets other nations regain advantages in supplying the energy needs that many countries demand.

Hopefully we don't squander this opportunity.

Chairman VITTER. Thank you all very much for your testimony. You're really the heart of this program in terms of the Small Business Committee field hearing. We appreciate your being here.

As we move on to questions and conversations, I'm going to turn to Charles for those first. But I do want to recognize two folks who have joined us in the audience.

State Senator Elbert Guillory. Senator, thank you for being here and for your leadership.

[Applause.]

And also former mayor of Lafayette, Dudley Lastrapes. Mayor, thank you for being here.

[Applause.]

Charles, why don't you kick off questions and discussion?

Representative BOUSTANY. Well, thank you, Chairman Vitter. Thank you for convening this very, very important hearing.

I think the three of you really encapsulated the opportunities and the challenges that we're facing here, and it's sort of a snapshot of what I think the rest of the country is seeing.

Coming out of the recession, Louisiana sort of took a lead. Our economy bounced back quicker, and part of it—the two drivers nationally, and I think also in Louisiana, where the shale gas revolution and all the things that happened as a result that we benefited from, and exports, which also proved to be an early driver.

Josh, you pointed out the opportunities that small firms could have as part of the global supply chain in the energy sector, and I believe our suppliers and service companies could benefit from having new market access, for instance, with the Trans-Pacific Partnership that we're negotiating, and the new European agreement.

There's intense interest around the world in what's happened with the shale revolution here in Louisiana and the United States and what our companies offer. So could you elaborate a little bit more on this opportunity out there, even though we're facing some challenges and headwinds today with low oil prices, new market conditions, OPEC's decision? How would new market access help small service companies like yourself?

Mr. PELLERIN. Well, I'll give you an example, Congressman Boustany. Just last week I was in Mexico City with the development of the Transboundary Hydrocarbon Agreement between the U.S. and Mexico, and it involves Canada as well. As you know, Mexico has had a hydrocarbon reform. Due to the low oil prices, that market isn't as attractive as it was maybe a year ago, but just by being able to go into that area and have relationships established with the focal points and key stakeholders within the various government entities, as well as the oil and gas companies, allows us to build, engineer, and manufacture equipment here in the United States and export that equipment to Mexico without having to actually have a presence, a location in the area.

So by having that in place and by having the reform, that helps us, because if the Gulf of Mexico is not as busy, then certainly we can go into other areas such as Mexico, Saudi Arabia, any other part of the world that we had a trade agreement with.

Representative BOUSTANY. Thank you.

And, Bill, you brought up some very, very interesting points about the opportunities and challenges and the fact that even with low oil prices, which is creating great difficulty, some serious headwinds for a lot of our companies here, the low price of gas has opened up export opportunities around the world to countries like Japan that are energy starved. So it's sort of been a mixed picture.

From your position in banking—you get to see the big picture, and also the Lafayette-focused picture as well—you mentioned three things. Permits, which I fully agree with. We've got to streamline the permitting process. You mentioned the issue of allowing exports to all countries, and I think that's important, and I'm glad to hear you say that crude exports are something we need to consider in addition to expediting LNG exports.

Could you elaborate a little further on some of that and what opportunities those approaches would offer our small businesses here in this area and our entrepreneurs?

Mr. FENSTERMAKER. Well, I think all of us have been looking at the supply chain. When you look at that, it's not really a pretty picture, but it's a great picture for America because we have been producing oil in record amounts, and we have been producing natural gas in most of the shale formations throughout the country.

Right now we still have the situation of maybe pipeline infrastructure that needs to be built to be able to move the product from here to there, which right now gives us a little breathing time to be able to implement some of that, but maybe not the capital to do that because of the regulations and because of some of the stress testing that the people that would put forth those dollars are faced with.

So right now, for instance, if you look at the Marcellus, a very rich natural gas play, they will be exporting or sending a lot of natural gas down to South Louisiana, because pipelines can go both ways. We also have the Haynesville which, as we all know, has been very good for our North Louisiana friends and also for the country. And then you have West Texas, where it's mostly oil.

All of those things are very good and bode well for America. But with low energy prices, it's stopping. All of that is going to come to a complete halt. So we have to figure ways right now to be able to stimulate the industry and keep it moving forward, and the things that I mentioned about exporting make a lot of sense because the laws that regulate that were written back when we thought we had a tremendous energy shortage, and now we have a tremendous energy surplus. So that would help balance trade. It would also help a lot the jobs in America that have been missing for so many years.

Representative BOUSTANY. I appreciate that.

And finally, Natalie, you're right in the thick of things when it comes to the workforce demands that we need to meet. Senator Vitter laid out some pretty stark numbers out there about the mismatch between projected demand and supply.

I know you and I have talked personally about the Pell Grant flexibilities that would help this situation. Talk a little bit more about the outreach to the business community in trying to match up skill sets with what you're doing to meet those demands, and then how are you measuring. Are you following these students

after they get out into the workforce and getting some feedback as to whether you matched up and what improvements need to be made?

Dr. HARDER. Yes. Thank you for the question. We certainly work with business and industry on a day-to-day basis to assess whether or not our programs are meeting their workforce needs. A clear example of that is we took about seven programs a year ago and condensed them into one-year programs, three-semester programs in welding, machine tool, industrial electronics and such, to specifically try to address the skills gap.

The challenge of that becomes students are not eligible for Pell in the summer. So even though business is working and wants to hire individuals, these students then become financially stressed because they have no more dollars to attend college in the summer.

Those programs are intensive. They're in class every day. So it's often hard for them to work enough hours in the spring and fall to save up for the summer.

I will tell you, Congressman, in those technical programs, it's 100 percent placement. We have a very close working relationship with industry, and it's 100 percent placement and how can you graduate more is what we hear.

Representative BOUSTANY. Thank you.

Thank you, David.

Chairman VITTER. Great.

As we go on, I also want to recognize a small business of the week. On our Senate Committee on Small Business and Entrepreneurship, we recognize a leading small business every week, and one recent business that was recognized was The Learning Train, and we do have Keri and Matt Hebert with us from the Learning Train.

Thank you all for being an important part of the economy. Thank you all for being here.

[Applause.]

Let me ask Bill and Josh. I ask this of everyone in the industry, and nobody has a crystal ball, but obviously price is a big factor in this part of the economy right now. If you had to pick a price of a barrel of oil, guess at what that would be one year from today, give us your guess.

Mr. FENSTERMAKER. Josh knows that answer.

[Laughter.]

Mr. PELLERIN. I'll take a methodical approach, right? So, based on everything that I've read, we're looking at about, I guess, 24 months of the downturn before we see a recovery in the price of oil. I think 12 months from now we should be somewhere within \$75 to \$80 a barrel, is what we hope. That's a bit aggressive. I think full recovery, 24 months from what all the analysis and everything I've read. I think that that would be in the range.

Chairman VITTER. Okay. And Bill.

Mr. FENSTERMAKER. The experts tell me that \$65 might be the price at the end of this year, and they say "might" because they don't know. I'm asked from time to time, too much, because I'm not an expert on pricing, so I have to go with them and hope it's much higher than that. But I'm factoring in all the different seminars

and different things I've heard. Probably \$60 to \$65 a barrel at the end of this year, and a year later would be \$75, maybe.

Chairman VITTER. Right. And, Bill, you mentioned lifting the export ban on crude oil. If that were done tomorrow, do you think that would have a positive impact on price and this sector of our economy?

Mr. FENSTERMAKER. Tremendous impact. Right now, if you just look at the supply curves and you look at the amount of oil that's coming on the market, and you look at the shortages throughout the world of oil and the growth maybe of all the economies throughout the world, Louisiana would benefit handsomely, and small businesses would benefit handsomely if we could export oil and natural gas to everywhere.

Chairman VITTER. Josh, let me ask you. You're a great example of a Louisiana small business in this sector. In your very real-world experience, what are some of the biggest obstacles that any layer of government, any government agency or entity, puts in your way that is a particular problem for your business?

Mr. PELLERIN. Well, one of the businesses that we're involved in is the environmental component, which has produced water treatment. We are constantly looking at ways to bring to the market best available technology that would not necessarily create more regulation but would just better a process that's already been established and put in place.

We're not in drilling, so we're not on the permit side of it, but we're directly affected by the red tape of getting permits, right? So the more wells that are drilled, the more platforms that are installed, the more equipment we get to sell. So we are affected, I guess, in an indirect way.

But I think, as Mr. Fenstermaker stated, if we could have a permitting process that was streamlined and was very efficient and allowed the oil and gas companies to be able to get these permits and move forward with the drilling, then that would be something that would make it more attractive for them and less bureaucracy involved.

Chairman VITTER. Okay.

And, Dr. Harder, in our town hall meeting discussion, you heard some comments about maybe there being some bias in the community college system based on the cost of doing one type of program versus another, because clearly more equipment-intensive training programs like welding are just much more expensive to put on.

Do you think there is any element of that sort of bias in the system? And if there is to any extent, great or small, how do we counteract it?

Dr. HARDER. Well, I would like to address the fact that one day we would like to make a profit. I don't know that we've ever ascribed ourselves to that.

[Laughter.]

But it is true that clearly a technical program is much more cost-intensive than what one would consider a Humanities or general education section. But the way that we have addressed that is by partnering with business and industry, whether it's through the donation, for example, of welding rods to our welding programs, or computers to our Information Technology programs. We have really

been aggressive over the last two, two-and-a-half years to bring our partners into the mix.

An additional challenge, though, that we see is the ability to find faculty, quite frankly, not necessarily anything that the Federal Government or Congress could help us with, but it's just purely the ability to attract individuals from the private sector to the State salary schedule.

Chairman VITTER. Right, right. Absolutely.

And then another related issue we've been talking about is how you reach out to the private sector to determine exactly what skill set training programs are needed, and you touched on this a bit. Exactly how do you do that on a regular basis to get that feedback to help drive your curriculum?

Dr. HARDER. Well, certainly we meet with advisory committees which are made up of private-sector members at least twice a year. But a great example and a recent example is that we will start an oil and gas production program this fall. The advisory committee includes many small businesses, as well as folks like Halliburton and Baker Hughes that have literally crafted the curriculum with us to make sure that those individuals have exactly the skills and the training they need to be hired as soon as their program is finished.

Chairman VITTER. Right. And then a final thought about workforce training. We also talked about the sort of high school tie-in. Now, there is more focus there than just a few years ago. There is a state program, Jump Start, that's trying to bring more skills training to the high school level as a prelude to some of those kids going for community college or skills training opportunities.

How do you see that working in your geographic footprint in terms of your partnership with high schools, and what more do we need to be doing?

Dr. HARDER. Well, we do plenty of that through our dual enrollment efforts, where students are high schools students, but then they take college-level courses that both meet the high school requirement but also help lead them to an IBC, an industry-based certification. Obviously, welding is a good example of that, machine tool, some CNA programs and things like that.

But we do dual enrollment all day, every day, and the beauty of it is it allows the high school to determine whether or not they want to have the sunk cost of those programs specifically on their high school campus, or they merely want to shuttle their students over to us and take advantage of the infrastructure that we already have. So we do that in many different ways.

We're also in the process of creating a high school that will allow a student to graduate with a technical Associate's degree in something like welding or machine tool. We have an Early College Academy now where students graduate with an Associate's degree, and the day they graduate from high school, which means whether they choose to work after that Associate's degree or go on to their four-year degree, they're in the workforce at least two years earlier, and we're looking to replicate that but with a technical model.

Chairman VITTER. Okay. Great.

Charles, do you have any final wrap-up questions?

Representative BOUSTANY. Yes, just a final wrap-up, and we were talking about the oil pricing. I know we have a split between WTI and Brent, and it's about \$9.00 as of today, Brent being higher. If we were to export, many have said that we would start to see equilibration. That spread would shrink, which means pricing for U.S.-produced oil would probably go up, helping our small businesses.

But one of the other things that I think, Bill, you referenced was the infrastructure limitation, because even if we were to export oil today—the pressure would be to narrow that spread in pricing and help get better price stability—we still have a logjam at Cushing. We still have pipelines that need to be constructed. Being in the engineering sector, could you comment briefly on that?

Mr. FENSTERMAKER. Well, of course, all that takes time and capital, and right now, to be able to put capital on a massive spending program such as pipelines, which are not cheap to build, and to deal with the permitting time it takes to get through the malaise of different regulations required for permitting a pipeline, the question becomes is the capital there to allow people to do it.

Now, right now it is catch-up time, and we do have a lot of plans right now and a lot of different companies to be able to build a certain pipeline infrastructure. But it's imperative that we do that, because if these export bans are lifted, you're talking about an equalization of price, an equalization of access of oil throughout the country is there. We do need to somehow stimulate that ability and add certainty to the process. Certainty is a big thing in the energy business, and that's something we don't have right now.

Representative BOUSTANY. And I appreciate that.

Senator Vitter, Chairman Vitter, thank you. This has been a really informative hearing. I appreciate it.

I'm going to have to leave. I have to catch a flight, but I appreciate you including me in this. Thank you.

Chairman VITTER. Absolutely, Charles. Thank you.

Representative BOUSTANY. I thank our panelists.

Chairman VITTER. We're going to wrap up in general, so let's all thank our panelists for being with us today, part of the program.

[Applause.]

Charles, thanks for your participation, and thanks to all of you for coming out.

I certainly want to remain in touch on an ongoing basis. We have some handouts that include all my contact information. So please keep that handy so you can be in touch on an ongoing basis.

But thanks to everybody very, very much. Appreciate it.

[Whereupon, at 9:43 a.m., the hearing was adjourned.]

APPENDIX MATERIAL SUBMITTED

Chairman David Vitter Hearing Summary Statement

U.S. Senate Committee on Small Business and Entrepreneurship

Field Hearing on "How Small Businesses are Supporting America's Energy Renaissance"

March 23, 2015

Good morning, and thank you for joining me for today's Senate Small Business Committee field hearing to discuss how Small Businesses are Supporting America's Energy Renaissance.

I would also like to thank Congressman Charles Boustany for joining us.

In my new role as Chairman of the Senate Committee on Small Business and Entrepreneurship, I will make every effort to help small businesses in finding a larger voice in Congress, and shape policies that will grow our energy industry, get rid of the government impediments to growth and reduce the tax burden on small businesses.

Today's discussion will focus on the changes going on in southwest Louisiana as a result of the capital investments being made in the region, as well as identifying the ways that small businesses are contributing and capitalizing on these developments.

Throughout the abysmal economic recovery that has been confounded by federal policies, our domestic energy industry has continued to create jobs and new revenues, the majority of which can be attributed to small firms and contractors which make up the bulk of the U.S. energy production. It is estimated that nearly 1 million Americans work directly in the oil & gas industry, and a total of 10 million jobs are associated with that industry.

In order to better coordinate the efforts that allow small businesses to support the U.S. energy industry and continue contributing to local economic growth; it is imperative that there is an open line of communication between these regional business leaders and the federal government.

It's estimated that Louisiana will receive roughly \$80 billion in new and expanding development over the next few years, and a large portion of this investment is being made in this region. This growth will certainly impact Louisianians' quality of life as there will be more opportunities to get good-paying jobs and to further stimulate the economy. However, the economic growth in the region is not without its own set of challenges. At its current rate, Louisiana can't meet the workforce demands of these expansions, which is a problem because it could put our state at risk of losing similar projects in the future.

Right now, Louisiana's workforce consists of about 2.3 million working adults. Over one million of these individuals do not have a college degree or post-secondary credential, and an additional 600,000 have not obtained a high school diploma. As today's industries rely more heavily on technology, it is imperative that workers have the training and professional development necessary to meet industry needs.

Beyond the workforce challenges are the regularity challenges being lofted upon our state by an overzealous federal government that neither understands or appreciates the consequences of its actions. This is a direct result of President Obama's leadership and federal agencies such as the EPA.

What businesses need to thrive is a strong, restrained regulatory system that doesn't impede their growth. A 2010 Small Business Administration study found that federal regulations cost American businesses \$1.75 trillion annually, which adversely affects the many small independent companies that make up the majority of the oil and natural gas industry. We need to ensure that our regulatory environment does not interfere with the ability of these important businesses to grow and remain economically viable.

In closing, I would also like to welcome and introduce our four witnesses who are all business leaders in the Southwest Louisiana community.

1. Dr. Natalie J. Harder, Ph.D. – Chancellor of South Louisiana Community College
2. Joshua A. Pellerin – President and CEO of Pellerin Energy Group, LLC
3. Bill Fenstermaker – Chairman and CEO Fenstermaker and Associates

Navigating excessive regulations from multiple federal agencies, increased taxes, and higher health costs while continuing to provide quality services to your customers and grow your business is no small task. I appreciate you taking time away from your businesses to share your experiences and concerns about the regional development and opportunities that have come to the area.

Again, thank you for being here today, and I look forward to hearing from our witnesses.